



September 22, 2004

## *Memo*

**TO: Members of Sedona City Council**

**FROM: Robert Bailey**

**RE: Sedona Performing Arts and Conference Center**

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Following from our meeting in July and subsequent discussion with City staff and Councilmembers Stearn and Strauch, we have carefully reviewed the program and cost estimates for the Performing Arts and Conference Center. This memo outlines a Reduced Program that eliminates some program components and decreases the size of several spaces with a goal to reduce the project budget to less than \$20 million.

### **Basis for our Review**

We have reviewed similar projects, in particular the 750-seat Skagit Performing Arts and Conference Center which will open in November 2004 and the 850-seat Sitka (Alaska) High School Performance Center and Auditorium which is scheduled to open in 2006. The former project is in the final construction stages at of Skagit Valley College in Mount Vernon, Washington (about 75 miles north of Seattle, population 26,000). AMS conducted the feasibility study for this project in 2002. We have received detailed data for this project courtesy of LMN Architects. Copies of the program and cost estimates are attached. The Sitka project is in design and will be located at the Sitka High School; detailed data for this project have been provided courtesy of John Fisher, Architects.

These projects have been selected for analysis and comparison because the program at Skagit College includes conference facilities. The Sitka project provides an example of a minimal approach to a performing arts center that would be comparable to the arts center in Paradise, California that has been cited by council. The Paradise PAC was built in the late 1980s and detailed cost data are unavailable. The theater has a single level of seating, minimal support space and is constructed with a corrugated metal roof and siding. It should be noted that this theater would not meet contemporary fire, safety and disabled access codes

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### **Building Program**

The theater building program outlined in the Phase Two report submitted to the City in June 2004 includes a 650-seat main stage, 300-seat Black Box and rehearsal space and totals 33,600 net square feet and 49,800 gross square feet (1.49 gross to net ratio).

At the request of City Council, a Reduced Building Program has been prepared for the theater and is detailed in an appendix to this memo along

with comparisons to the Skagit and Sitka theaters. The reduced program eliminates the Black Box and Rehearsal spaces and reduces the size of the lobby, dressing rooms and support spaces. The total net square feet is 20,000 and gross building area is estimated at 28,000 square feet (1.40 gross to net ratio). While the small theater and rehearsal spaces are removed, the overall usability of the main theater is not compromised.

There are many ways to further reduce the building requirements, but in our opinion, any reductions would negatively impact the quality of the facility. For example, the ratio allowance for gross to net is based on mechanical system design to minimize noise from air flows and fans which requires large ducts. The proposed multilevel plan for the seating area is a cost effective way to provide flexibility in seating capacity using lighting to dim seating areas that are not sold. The use of curtains or other physical means to reduce capacity can have a deleterious impact on acoustics.

### **Conference Center Building Program**

The conference program proposed in the report totals 25,000 square feet and includes a large room able to accommodate up to 920 theater-style or a banquet of 750 persons. The facility also includes a mid-size room for 364 (296 banquet) and seven smaller “breakout rooms” of 300-500 square feet.

ERA has indicated that they feel strongly that the size of conference center should not be reduced. They cite the following reasons:

1. It is larger (by almost twice) than any existing hotel conference facility in Sedona thus would complement rather than compete with hotels in the area.
2. It would not compete with the large conference hotels in Phoenix which are about twice as large.
3. It would be ideally sized to accommodate association meetings that usually incorporate small trade exhibitions.
4. It offers potential for specialized trade shows such as art, jewelry, crafts, and antiques that would be appropriate for the Sedona visitor market.
5. It can accommodate small trade shows geared to local residents which can provide an important source of revenue.

If the theater and conference center are co-located, consideration could be given to reducing the size of the conference center by 10 to 20 percent by eliminating the mid size room and enlarging the theater lobby slightly to accommodate those functions. The conference program could be reduced to about 20,000 square feet, preserving the large room and the breakout rooms. The required increase in the lobby space to accommodate small meetings would be less than the reduction in the conference center space since part of the lobby space is already included in the theater program.

### **Estimated cost**

The Phase Two report indicates a total project cost of almost \$40 million based on construction data escalated to 2007 and a total building area of 77,300 square feet.

The cost estimate was based on analysis of comparable theater projects which ranged from \$253 to \$417 per square foot for construction (including theater equipment, excluding soft costs such as fees and owner's costs). Based on these projects, a construction cost of \$312 per square foot (before escalation) was used (blended conference center and theater). The construction cost for the theater was \$345 per square foot and the conference center \$220 per square foot. Based on these numbers, the construction cost estimate for the reduced program is \$15 million (2004 dollars), approximately \$10 million for the theater and \$5 million for the conference center.

Looking more closely at the data from the Skagit project reveals that the cost per square foot is slightly above the estimate for Sedona at \$367. The Sitka project is slightly below at \$337 per square foot. It should be noted that the Skagit estimate is more accurate since it is based on the actual contractor's bid and an opening in 2004, whereas the Sitka cost is based on conceptual design and a building opening in 2006. The construction quality of the Skagit project is modest (there were over \$1 million in cost reductions to the building due to budget limitations). The Sitka project is also of modest quality.

We feel strongly that our construction cost estimates are within the range of what would be experienced (based on a 2004 construction date).

The project cost estimates in the Phase Two report include three allowances: escalation (15%), contingencies (5%) and soft costs (23%). The escalation allowance assumes a construction date of 2007 and reflects historic increases in construction costs; this would add \$2.25 million to the construction cost. Construction contingencies allow for change orders during construction for which an allowance of \$750,000 has been made. Finally, soft costs, which include design fees, construction management, permits and others costs amount to 26% of the estimate, or for the reduced program, \$4.5 million.

The total projected cost for the theater and conference center in 2007 dollars is \$21.7 million; \$15.2 million for the theater and \$6.5 million for the conference center.

### **Impact on Operations**

The reduced program will have implications for the operating estimates. The Phase Two report indicates an operating deficit of \$413,000 for the theater and a profit of \$282,000 for the conference center if operated separately. If the theater and conference center were co-located and operated jointly, the resulting savings in staff and efficiencies would result in a net operating profit of about \$9,000.

Considering operating costs for the reduced program, there will be revenue loss from the black box theater, which is forecast to be used for 322 performances annually; this will amount to approximately \$300,000, including rents, concessions and patron fees. Revenue from the large theater will likely increase slightly as users move their performances to it—perhaps \$100,000 will be realized. On the expense side, the principal saving will be from building operations costs, about \$158,000 annually. Reduced staffing for the theater could result in a saving of about \$100,000. Additional savings (e.g., administrative overhead, box office, stage crew) might amount to another \$25,000. The total savings then would be about \$283,000 annually. On

balance, the reduced net annual deficit for operating the theater would decline by \$50,000 to \$100,000 a year, resulting in an operating deficit to between \$313,000 and \$363,000. For the conference center, the operating impact would be minimal and remain at \$283,000 a year (base year).

If the reduced program theater and conference center were jointly operated and co-located, the impact of combining the operations resulted in a net operating cash flow is estimated to be in the range of \$25,000 to \$50,000. (Note that savings would be less for the reduced program option since there would be fewer staff in the theater).

**Appendix: Comparison of Theater Programs**

Theater # of Seats	Skagit 750	Sitka 800	Sedona reduced 650	Original* 650
<b>THEATER</b>				
Seating	6,935	9,350	6,600	
Stage	2,952	3,600	3,200	
Receiving / Setup/ Shell storage	1,984	630	1,425	
Orchestra Pit (356 musicians)	700	400	700	
Control Booths	188	220	500	
Follow Spot Booth	163			
Piano Storage	77	-	75	
<b>SubTotal</b>	<b>12,999</b>	<b>14,200</b>	<b>12,500</b>	<b>12,358</b>
<b>LOBBY</b>				
Lobby	4,600	3,025	3,900	
Conference Hall	2,542	-		
Bars		120		
<b>SubTotal</b>	<b>7,142</b>	<b>3,145</b>	<b>3,900</b>	<b>5,490</b>
<b>BACK OF HOUSE</b>				
Star	-	1,000		
2 Actor DR	254		300	
Large Actor DR	854		900	
Green Rm	240	150	250	
Wardrobe/Laundry		500	150	
Storage	306	-	300	
Tech office	150	-	150	
Admin Office	150	325	150	
Toilets	175	-	175	
<b>SubTotal</b>	<b>2,129</b>	<b>1,975</b>	<b>2,375</b>	<b>4,475</b>
<b>LOBBY/CONFERENCE SUPPORT</b>				
Catering	430	-	-	
Toilets	1,384	500	1,200	1,110
Box Office	242	100	175	1,000
<b>SubTotal</b>	<b>2,056</b>	<b>600</b>	<b>1,375</b>	<b>2,110</b>
<b>Net Area</b>	<b>24,326</b>	<b>19,920</b>	<b>20,150</b>	<b>24,433</b>
Gross / Net ratio	1.39	1.35	1.40	1.49
<b>TOTAL</b>	<b>33,813</b>	<b>26,892</b>	<b>28,210</b>	<b>36,405</b>
* Excludes Black box and Rehearsal				